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Director of Central Intelligence

NATIONAL INTELLIGENCE DAILY

Friday, 26 October 1990



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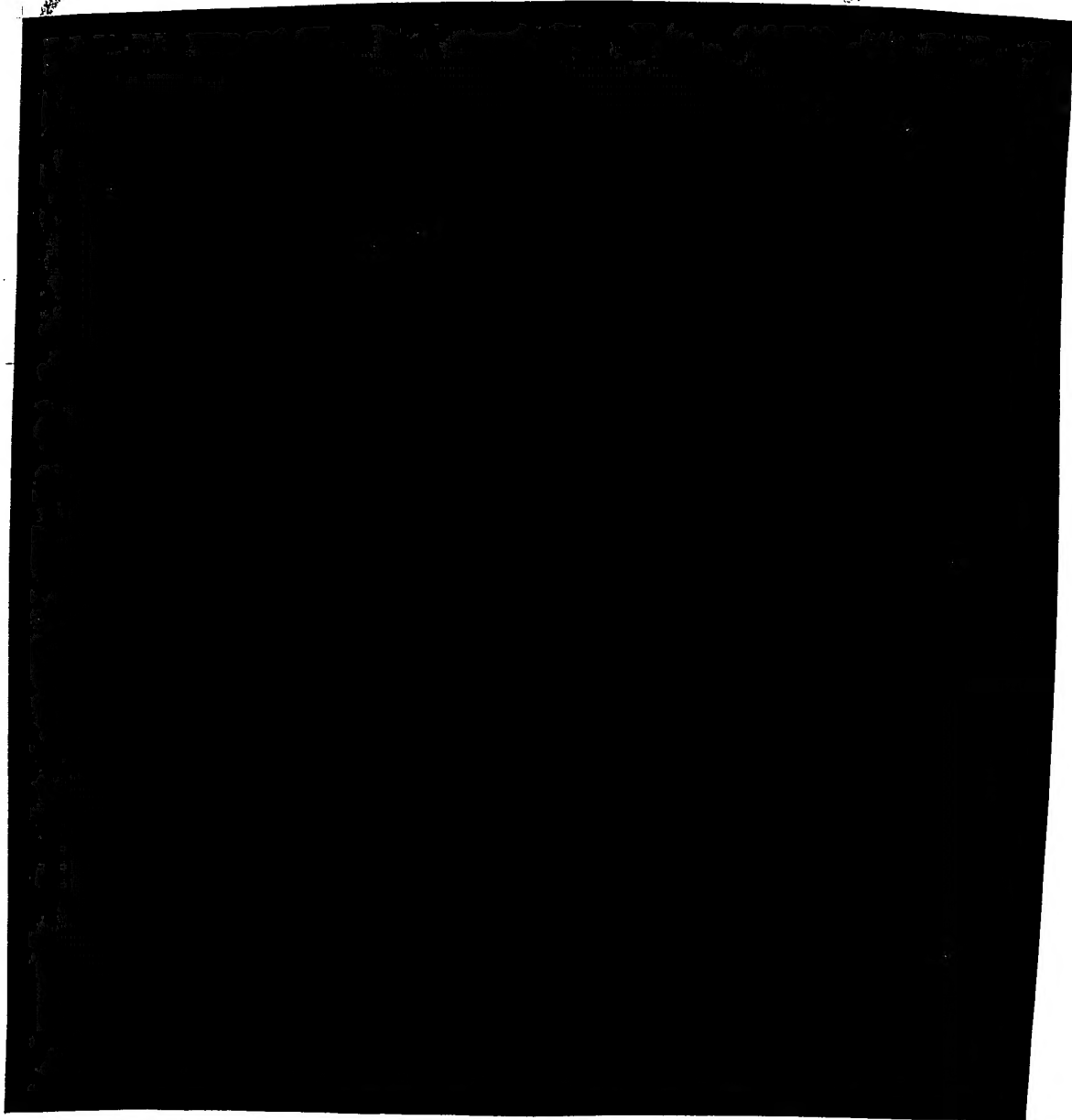
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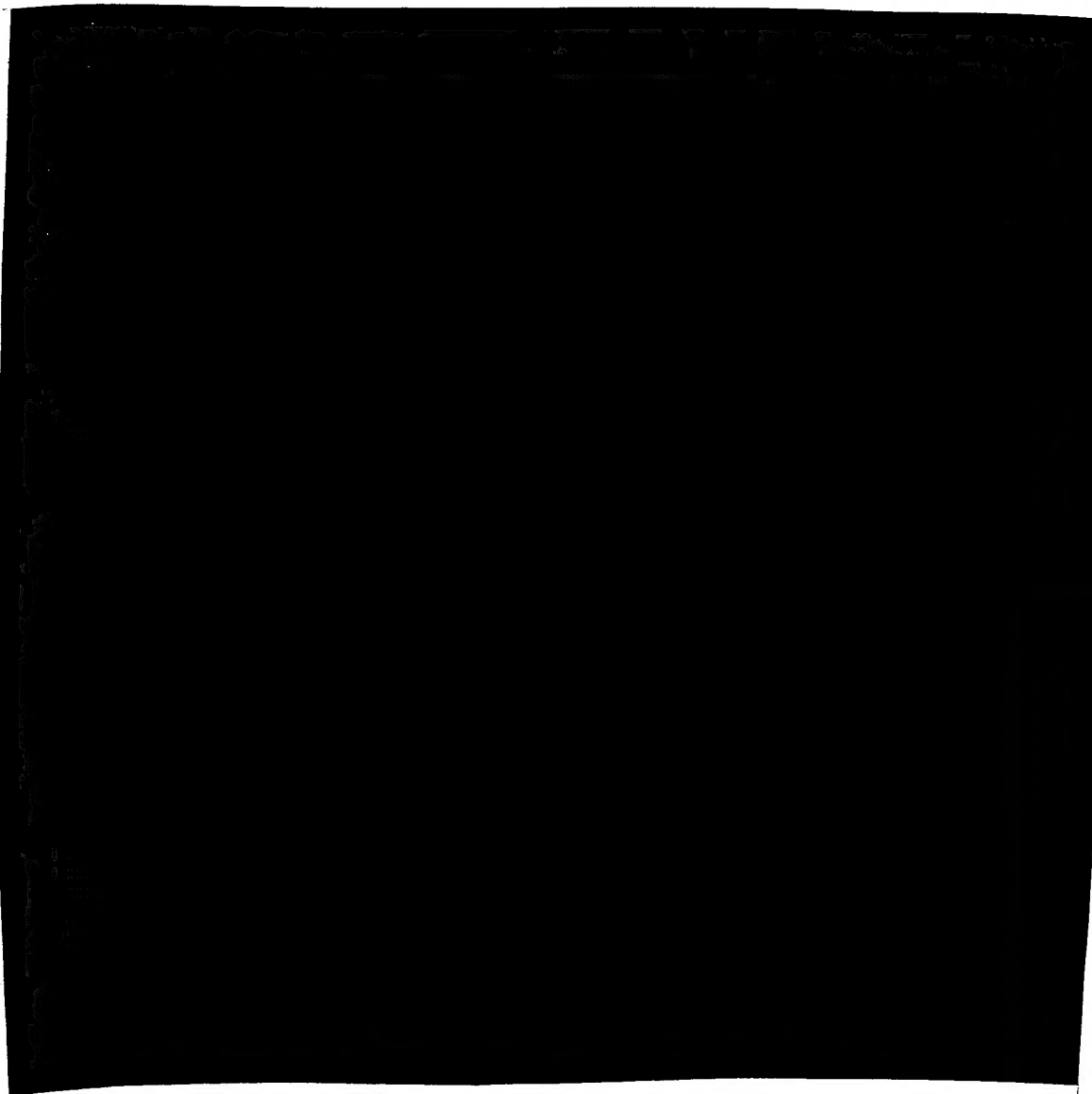
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IRAQ-KUWAIT: Situation Report

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**Saddam Visits
Kurdish Families**

In Al-Sulaymaniya governate, Iraqi President Saddam visited several Kurdish families, discussing their grievances and promising to address them. [REDACTED] Saddam [REDACTED] prayed with the families and walked through city streets thronged by thousands. [REDACTED]

[REDACTED] This visit to Kurdistan is Saddam's first known step outside the Baghdad area except for his trip to Kuwait since the invasion. The move suggests Saddam does not perceive a significant domestic threat to his security. It is also part of the regime's aggressive propaganda effort to maintain domestic support. [REDACTED]

Situation in Kuwait

Refugees who recently fled Iraq and Kuwait [REDACTED]

- All salaries in Kuwait now are paid in Iraqi dinars, and the Kuwaiti dinar is worthless.
- Kuwaiti oil production is not closed down entirely. Production and refining facilities continue to produce enough oil for domestic requirements.
- Schools in Kuwait were declared open recently, but a rumor that the Kuwaiti resistance had planted bombs in them has kept children from returning to classes. Kuwait University is technically open, but no classes are being held. [REDACTED]

**Hostage
Developments**

A large number of French citizens in Iraq gathered at the French Embassy in Baghdad to seek news about arrangements for their departure. [REDACTED] Meanwhile, Saddam decided to free the some 700 Bulgarians being held in Iraq. [REDACTED]

[REDACTED] The announcement came at the end of a four-day visit to Iraq by Bulgaria's Vice President Semerjiev. [REDACTED] Semerjiev on Tuesday promised Saddam that Bulgaria wanted a peaceful (and Arab) solution to the crisis. [REDACTED]

[REDACTED] Although Iraqi authorities are unlikely to hinder the hostages' departure, it probably will take some time for the French and Bulgarian Governments to arrange transportation home for all their trapped citizens. [REDACTED]

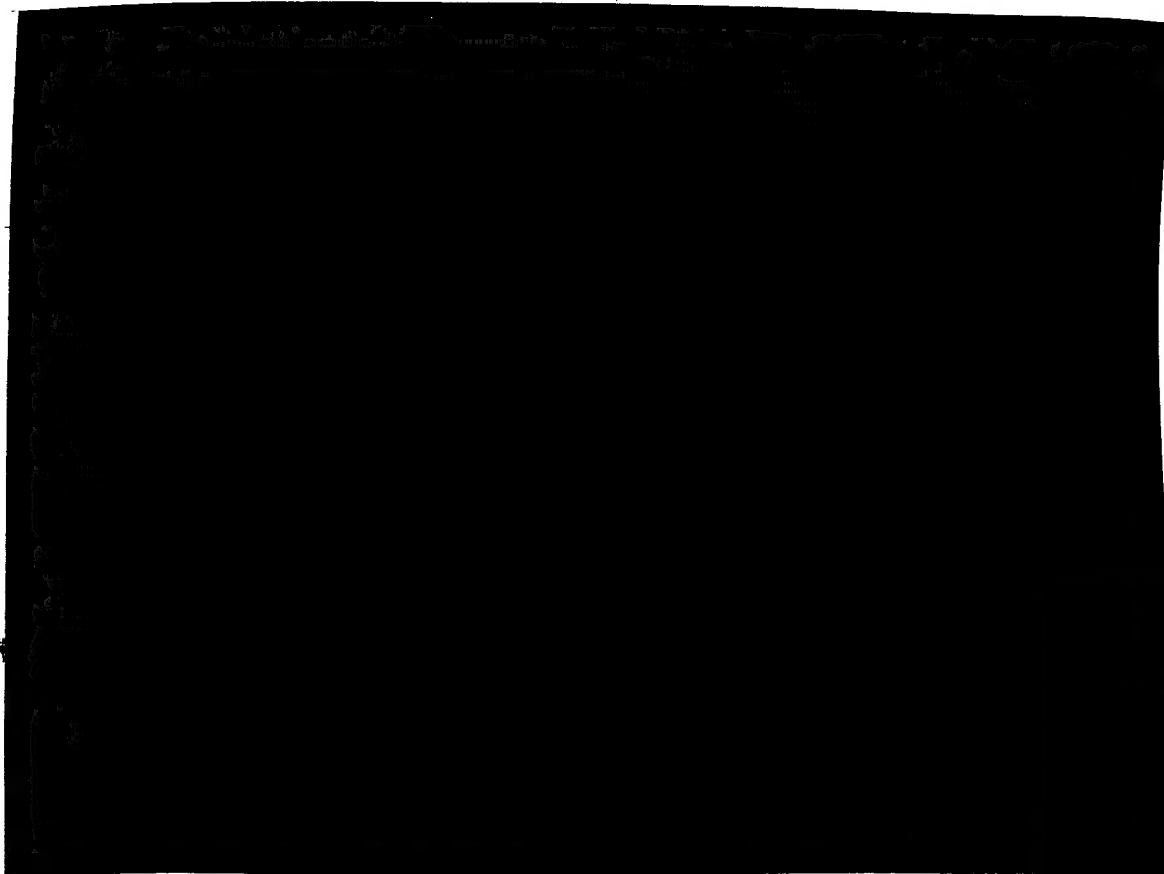
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USSR:

Gorbachev Visiting Spain and France

The visits, which begin today and Sunday, respectively, are intended to show that his policies are expanding Soviet political and economic relations with Western Europe and enhancing the USSR's international stature.

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Gorbachev will sign general cooperation treaties and economic agreements in both countries and will ask for their help in securing an assistance package from the EC. He will also seek their support for new CSCE security institutions at the CSCE summit next month and will promote a peaceful settlement of the Persian Gulf crisis.

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b3 Moscow probably views the new treaties as important signs for Soviet audiences of growing Western acceptance of the USSR as an international player and of Western support for its economic and political reforms. Gorbachev also is trying to balance the USSR's policy in Europe, which some Soviets are criticizing as too German centered, and clearly hopes that concern about German-Soviet ties will prompt other European countries to expand relations with Moscow.

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Madrid's recent moves to improve relations with Moscow reflect Prime Minister Gonzalez's more activist foreign policy and his support for Gorbachev's reform efforts. Discussions during Gorbachev's visit probably will focus on promoting joint investment, signing agreements on narcotics and political cooperation, and developing the recent initiative by Spain and Italy for a Conference on Security and Cooperation in the Mediterranean.

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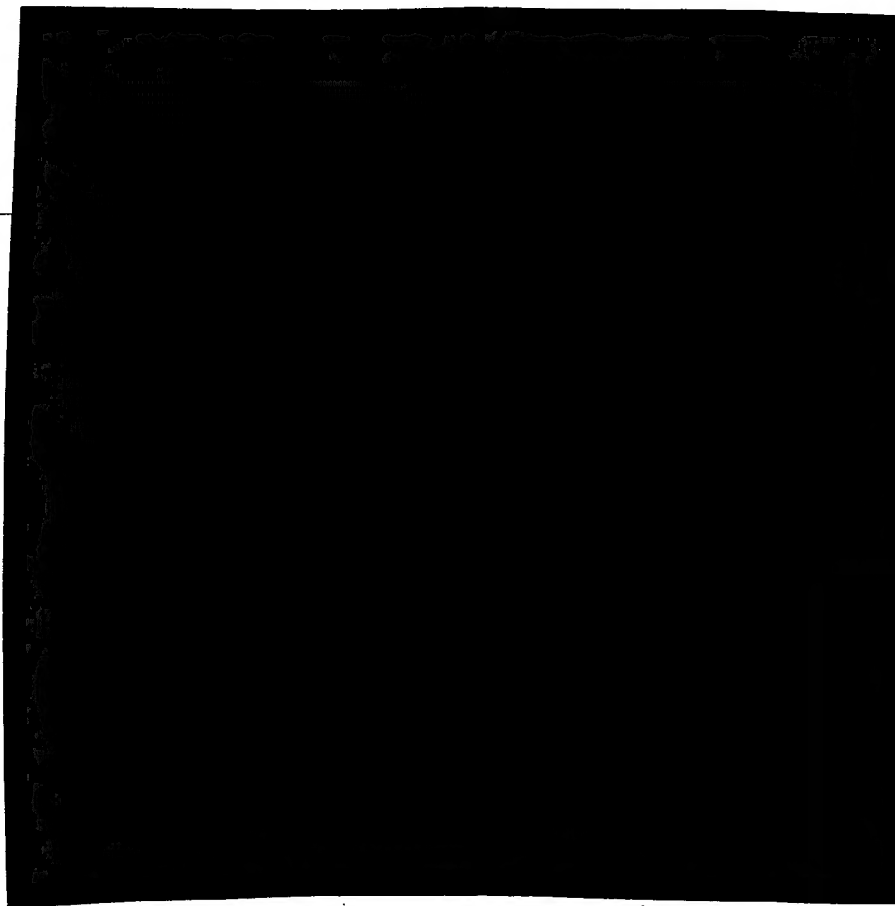
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USSR:

Concerns Growing as Revolution Day Nears

Increasing fears of a military coup and nervousness about possible confrontations during the Moscow parade on 7 November are creating a volatile political atmosphere.

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LEBANON:

Implementing a Security Plan

The Harawi government has begun implementing a security plan in Beirut with apparent cooperation from the militias, though they are not likely to completely disarm. [REDACTED] b3

The Army is assuming control over some areas formerly controlled by the militias, dismantling the Green Line that divides Muslim West and Christian East Beirut, and reopening roads closed since the mid-1980s. The government has ordered offices of pro-Syrian militias in former Awn territory to close, and Syrian forces have reportedly closed Hizballah centers in the southern suburbs. [REDACTED] b3

The Shia Amal militia, the Druze, and the Christian Lebanese Forces have publicly endorsed the security plan, recognizing it as a first step toward implementation of the Ta'if Accords, which stipulate the militias disband by February. The government is negotiating with the Christian Lebanese Forces for their withdrawal from controlled areas in East Beirut, including the ports. Amal leader Barri is willing to disband his forces, while Druze leader Junblatt hopes that some of his militiamen will be absorbed into the Lebanese Army. Hizballah has not only endorsed the Ta'if Accords or the security plan but also has not resisted Syrian activity in the southern suburbs. [REDACTED] b3

b3 [REDACTED] The Harawi government's success in extending its authority will enhance its credibility and may reassure the Christian population in former Awn-controlled areas. Continued success will depend on its ability to enforce the security plan. Implementing security measures before forming a broadly based government probably was a decision made in response to Syrian desires. [REDACTED] b3

The militias who endorsed the security plan wish to appear cooperative with the Harawi government as negotiations for Cabinet positions begin, but the true test will come when they are asked to disarm. [REDACTED] b3 b3

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USSR: Planning To Move Against Crime

The Soviet leadership is preparing for a war on crime in anticipation of a market economy.

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b3 Soviet leaders have acknowledged that introducing a free market will cause already high levels of crime to spike.



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Attempts by local and republic officials to set up their own internal security agencies are also likely to impede the law-enforcement cooperation needed to curb the expected rise in crime.

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PAKISTAN: Conservatives Prepare To Form Government

b3 The Islami Jamhuriya Ittehad won at least 105 out of 217 seats in Wednesday's election, giving it the numbers to form a government, although infighting over the prime-ministership probably will draw out the process. All major IJI leaders who were contesting legislative seats won and now are expected to compete for the prime-ministership. [REDACTED] little evidence so far to substantiate former Prime Minister Bhutto's charges of massive vote fraud, although some election rigging probably did occur. [REDACTED] b3.

b3 [REDACTED] Even after the IJI agrees on a prime minister, the government will be shaky, as components of the alliance clash over such issues as imposition of Islamic law and federal-provincial relations, while putting off action on pressing social and economic problems. Most IJI leaders have cordial ties to the military and are likely to go along with the wishes of President Ghulam Ishaq and Chief of Army Staff Beg. An IJI government is likely to maintain the current hard line against India and Afghanistan. Relations with the US probably will cool. Bhutto probably will wait for tomorrow's provincial assembly elections before deciding her next move. She has little choice but to sit in parliament as leader of a minority party. Boycotting the National Assembly will marginalize her party, and calling for street protests risks the imposition of martial law. [REDACTED] b3

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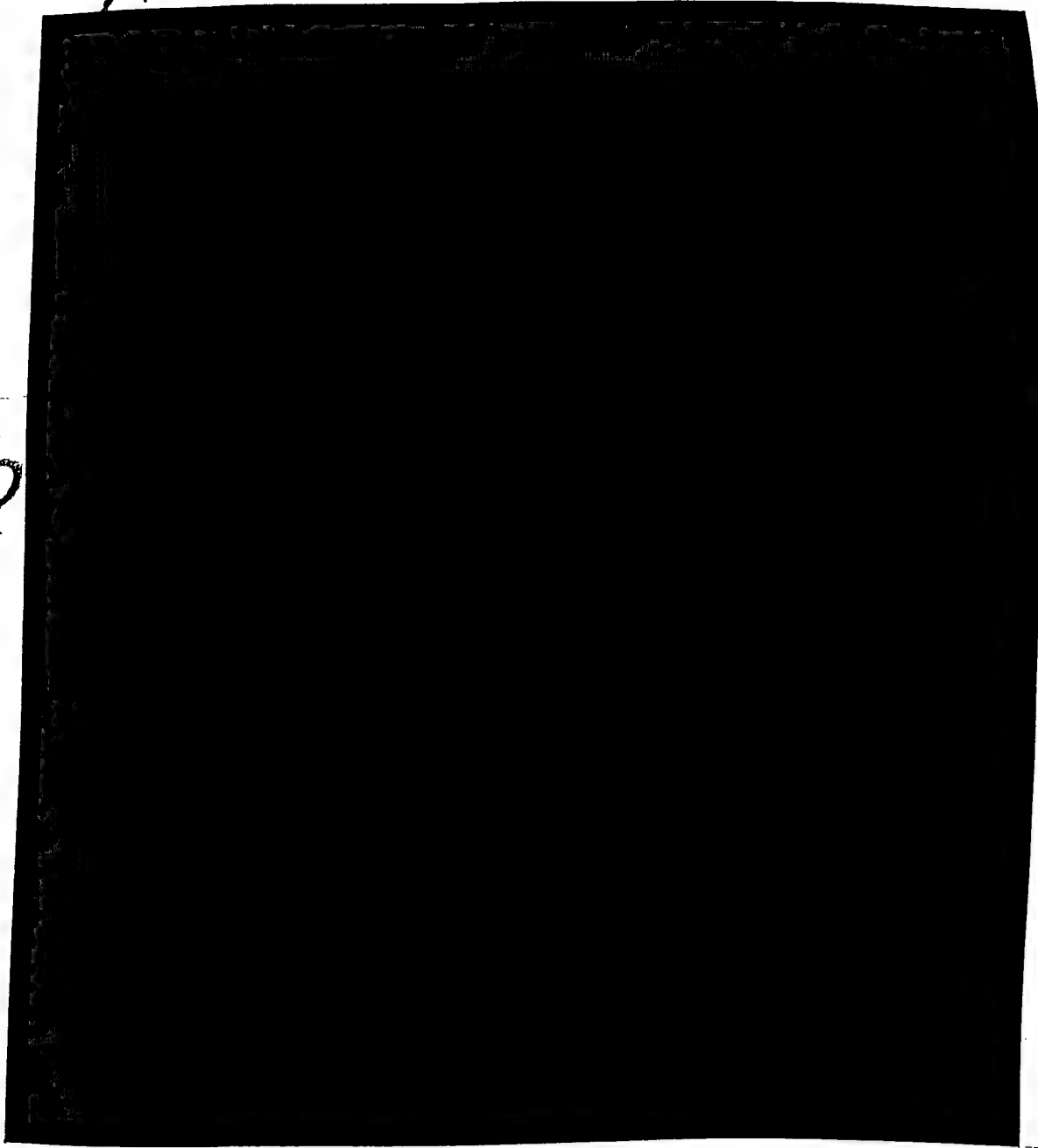
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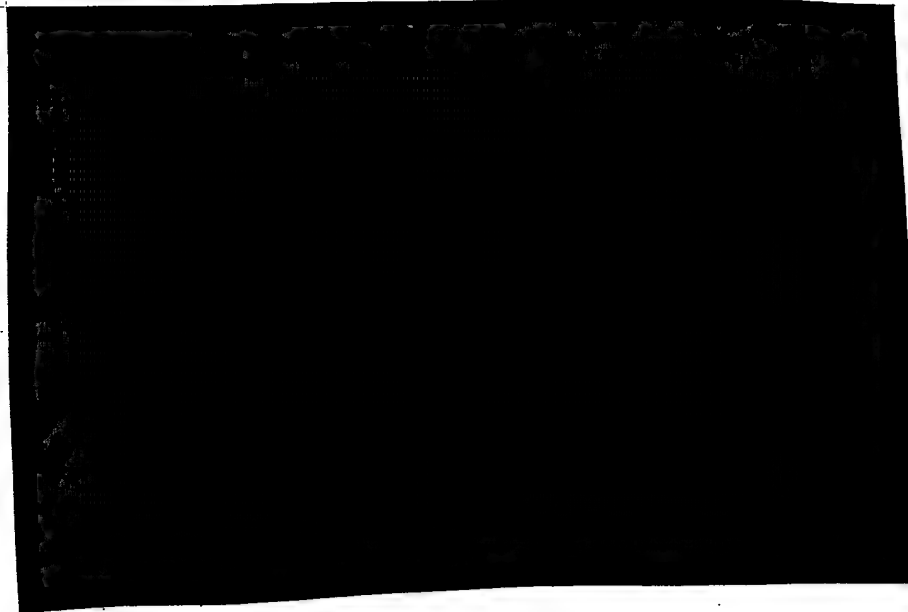
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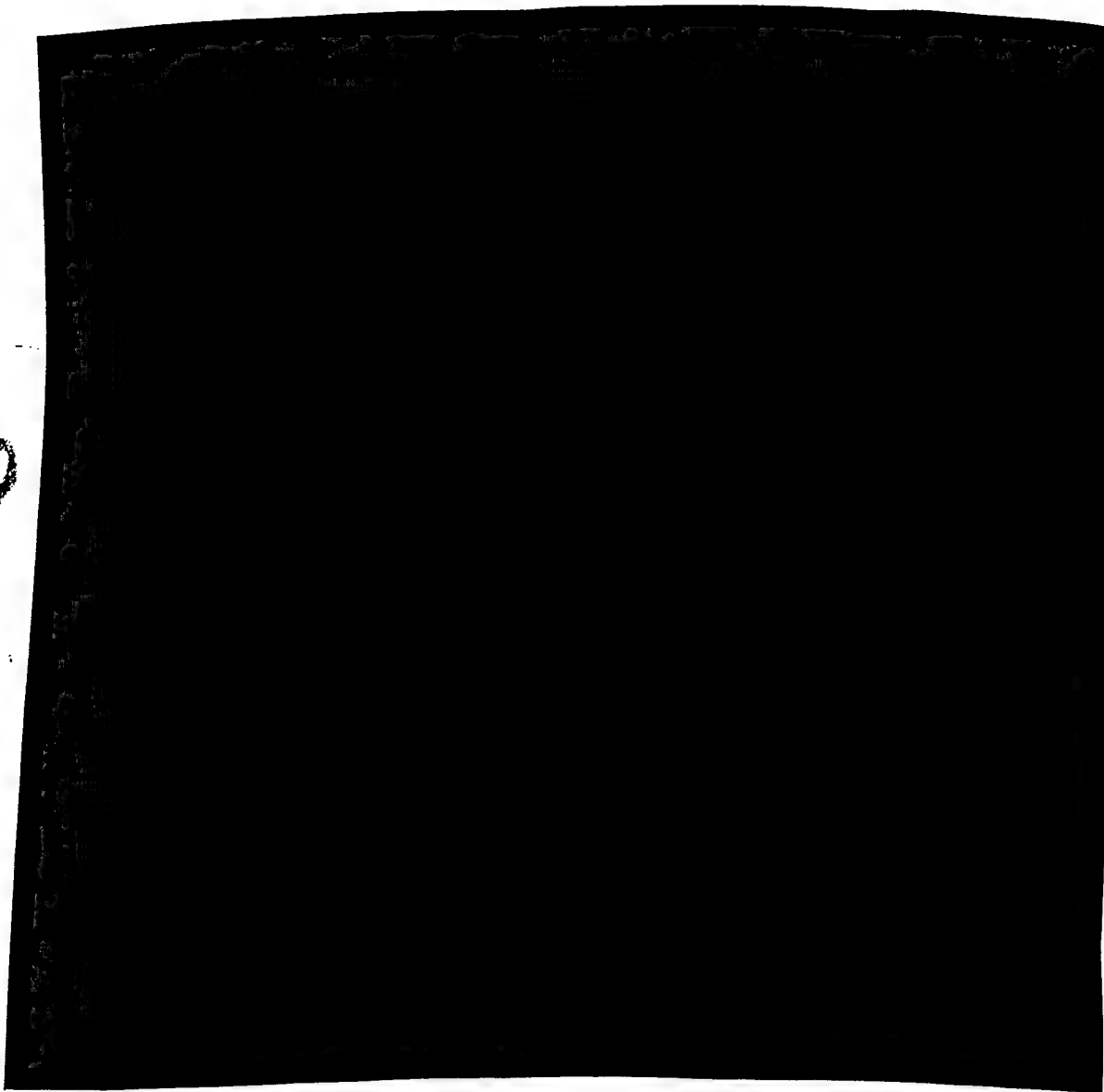
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NEW ZEALAND: Undecideds Key to Election Tomorrow

The ruling Labor Party hopes to win a third term by capturing the undecided third of the electorate. The undecideds consist primarily of traditional Labor supporters disillusioned with Wellington's mismanagement of the economy; voters reportedly believe that Labor's economic reforms have failed—unemployment is at a record high, inflation is rising, and the deficit is ballooning—but are not persuaded that the National Party's economic policies would be any better. Labor has 57 of the 97 seats in parliament and may lose seats in areas that have been traditional party strongholds. National Party candidates are projected to take most of the 22 seats at stake in Auckland, where most New Zealanders live. b3

b3 [REDACTED] Prime Minister Moore's vibrant personality and energetic campaign probably have helped Labor catch up with opposition leader Bolger's National Party, which is 12 points ahead in the polls, but voters are fixated on the declining economy. Moore's charge that Bolger would abandon antinuclear policies was largely ignored by the public. b3 [REDACTED] Moreover, his suggestion Wednesday that New Zealand suspend or cancel its contract to buy two frigates from Australia probably did little to win votes and may have aggravated relations with Canberra. b3 [REDACTED]

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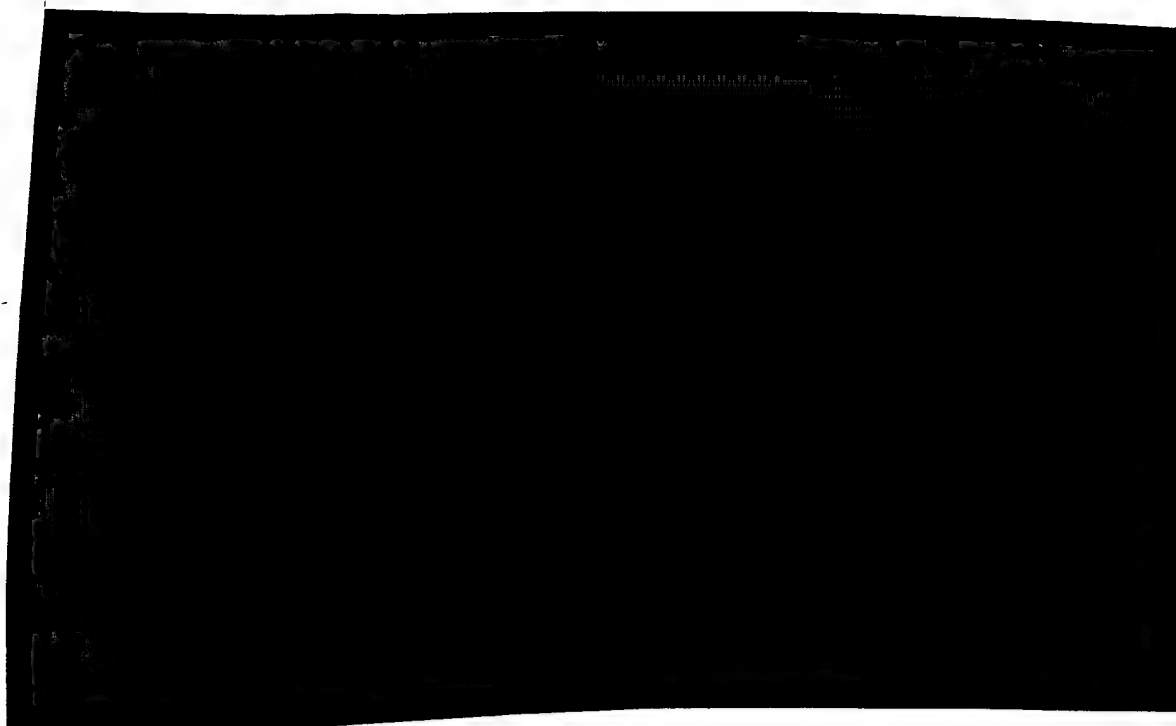
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— Prominent Albanian writer Ismail Kadare has defected to France, says President ignored his pleas for democratization . . . regime traded on his reformist image, likely to lose credibility . . . may encourage dissent, particularly among intellectuals. B3

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— Government announced Hungarian Prime Minister Antall had minor surgery yesterday . . . will require 10 to 14 days postoperative care . . .

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— Ukrainian Nationalists in Soviet Ukraine attempting to organize political strike by railworkers for tomorrow . . . calling for new elections, resignation of Ukrainian legislators . . . organized labor support fragmentary . . . some rail disruption possible.

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— Soviet Moldova's Gagauz minority yesterday held elections planned for Sunday to preempt government interference Moldovan legislature threatening state of emergency . . . Moscow unlikely to intervene unless republic's ethnic Russians heavily involved.

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— Soviets arrived in Beijing yesterday for first Chinese-Soviet S&T Commission meeting . . . Chinese armaments specialists participating . . . probably discussing Beijing's requests fighter aircraft, advanced weapons technology.

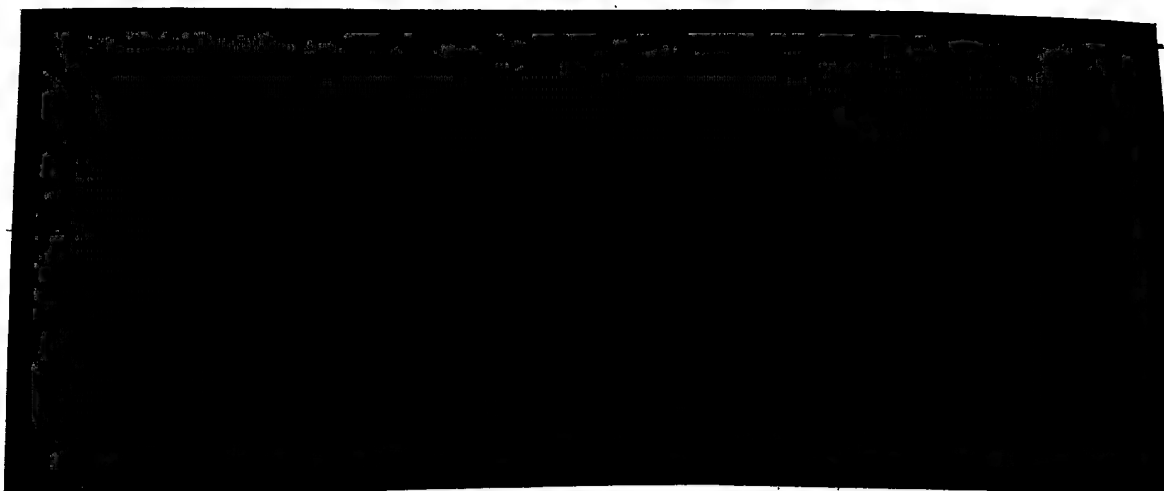
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USSR:

Winter Food Supplies Likely To Be Tight

supplies of food in state stores will continue to be tight this winter. Bare store shelves will pose particularly serious problems for some regions and income groups.

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The overall supply of food in state stores, where most food traditionally has been sold, is likely to continue to be tight this winter; some types of food will be less available than last year. The growing resistance of local officials in food-producing regions to state procurement targets and delivery commitments to other areas will make things worse. Delivery problems will be particularly serious in

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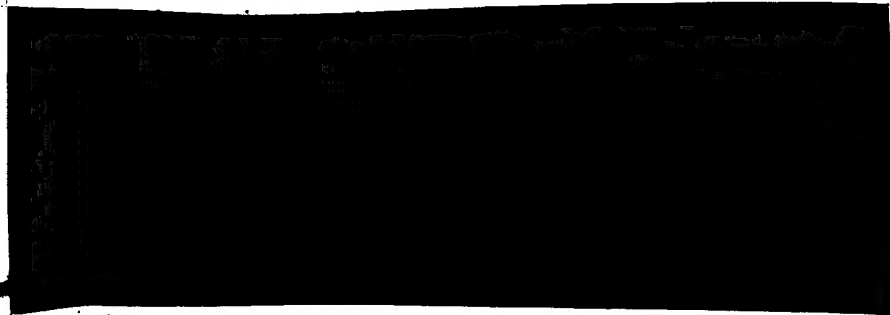
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such regions as the Urals rust belt where little food is grown and where large cities such as Sverdlovsk, Chelyabinsk, and Perm are critically dependent on shipments from other regions. Enterprises that have few goods to barter for food will also suffer. [REDACTED] b3

Those with lower incomes and no access to special food-distribution systems will suffer most. Pensioners, for example, generally cannot afford to buy food in collective farm markets, cooperative stores, or on the black market. Such groups will spend more time searching for food products in state stores and may go without. [REDACTED] b3

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Special Analysis

GULF STATES: Capital Flight To Take Its Toll

[REDACTED] b1 b3

Monetary authorities and local banks have cushioned the immediate impact of the capital flight by pumping foreign exchange into their economies. The central banks have also increased government deposits in local banks and have issued statements highlighting their strengths so as to calm the public. Although the net outflow of capital from Gulf banks has been stemmed, recovering the foreign deposits of many wealthy private savers will be difficult as long as the political and military situation in the area is unresolved. [REDACTED] b3

The run on deposits and loss of business confidence have caused commercial activity to slacken throughout the region. A loss of consumer confidence apparently is hitting manufacturers; continuing high inventories for most consumer goods could discourage new business investment. A slowdown would compound the problems of recovery for many local banks by reducing lending opportunities and increasing defaults on existing loans. [REDACTED] b3

The Gulf governments probably will devote some of their windfall oil revenues to spurring economic activity in the hope of limiting the longer term damage. Governments trying to compensate for the reluctance of businessmen to invest locally, however, will face competing demands, especially defense and aid commitments. The shortage of liquidity in local banking institutions and higher local interest rates may make it hard for the Gulf states to borrow domestically, possibly forcing them to borrow on international markets. [REDACTED] b3

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